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GENERAL

1. Reported "conciliatory" Israeli attitude at UN--The US delegation to the UN has been informed by Acting Palestine Mediator Bunche that Israeli UN representative Eban has recently taken a very conciliatory attitude toward the Bernadotte plan. According to Bunche, Eban indicated that Israel would be satisfied if the UN: (a) affirmed the existence of the Jewish state; (b) declared the termination of hostilities and the right of individual Arab refugees to return to their homes; and (c) referred to the proposed conciliation commission such matters as frontiers and access to Jerusalem. Eban also indicated that Israel would not resist the internationalization of Jerusalem.

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(CIA Comment: CIA doubts that Israeli representative Eban accurately reflects Israeli policy, particularly on the internationalization of Jerusalem. However, Eban's proposals might indicate, in the light of Israel's clear determination to win more territory before a final Palestine settlement, an effort to postpone UN action on Arab-Jewish boundaries. This maneuver would enable the Israelis to win recognition for Israel but provide them opportunity to further their territorial aims.)

2. UK concerned over UN delay on Palestine--A UK Foreign Office representative has told the US delegation to the UN that the British are fearful that delay in UN consideration of the Palestine question may permit major changes in the existing Arab and Jewish territorial positions. The Foreign Office representative believes that both the US and UK should guard against such changes and give all possible support to the Palestine mediator.

EUROPE

3. FRANCE: Coal strike nears critical point--According to US Embassy Paris, most trade unionists believe that the strike situation in France has now reached the point where

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the Communists must choose either to employ their armed forces in an openly-insurrectionary movement or to accept defeat after obtaining the best terms possible. The Embassy has learned that although the General Confederation of Labor (CGT) has received large sums to finance the strike, enormous expenditures have forced the CGT to scrape the bottom of its treasury.

(CIA Comment: CIA does not believe that the Communists will at this time resort to a full-scale insurrection using their paramilitary forces.)

4. **GREECE: AMAG to reject proposed expansion in armed forces --** AMAG Chief Grady reports that he will not approve the expansion in the armed forces proposed by General Van Fleet. Grady believes that the Greek Army's lack of progress in the guerrilla war should be attributed to poor leadership and fighting spirit rather than to inadequate personnel and materiel. As an alternative to the proposed expansion, Grady intends to: (a) impress upon the Government the necessity for improving Greek military and political leadership; and (b) urge the development of an effective propaganda campaign designed to stress the critical situation confronting the country. According to Grady, the Greeks must be made to recognize that the guerrilla war is their own problem and that there is a limit to US-provided material aid.

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FAR EAST

5. **CHINA: Embassy urges "all-out" US aid--US Embassy** Nanking believes that present US aid plans are insufficient to save the situation of the Chinese National Government. The Embassy recommends that the US make an "all-out effort," including: (a) authorization for the US Military Advisory Group to extend advice further down into the Chinese military command; (b) the expediting of arms and ammunition to Chinese

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ports; and (c) the telescoping of all projected China Aid Program shipments into the next few months. The Embassy believes that such a course has only "reasonable prospects" of success, but that the alternative is a Communist-dominated coalition.

Chiang opposes US evacuation warning--US Ambassador Stuart reports that Chiang Kai-shek has peremptorily requested a postponement of the evacuation notice to US nationals in the Peiping-Tientsin area, originally planned for 26 October. Chiang guaranteed that the Peiping-Tientsin area is in no immediate danger and assured Stuart that he would personally give due warning if in the future it should seem necessary for US nationals to withdraw. Stuart has urged Chiang to withdraw to North China all troops now in Mukden, on the grounds that if this is done there is a slight possibility of saving North China.

Imminent evacuation of Mukden reported--

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that Chiang Kai-shek has ordered the evacuation of Mukden within the next few days. According to the official, Nationalist forces will be evacuated via the port of Yinkow, now in Nationalist hands. US Consul Ward in Mukden concurrently expresses the view that the cessation of airlifting supplies to Mukden may be the prelude to the city's evacuation by the Nationalists.

THE AMERICAS

6. BRAZIL: Fears of Argentine aggression deemed exaggerated--The Department of State has informed US Ambassador Johnson in Rio of its view that the Brazilian General Staff's fears of Argentine aggression are considerably exaggerated. The Department recognizes the discontent of the Brazilian Staff over recent US arms sales to Argentina but states that US hemisphere policy cannot permit discrimination among Latin American

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states. The Department concedes that Argentina has undoubtedly influenced the troubled situation in Paraguay and Bolivia, but feels the basic trouble in both countries stems from the instability of the governments in power. The Ambassador is instructed to assure the Brazilians that the US will comply fully with its commitments for the maintenance of peace in the hemisphere.

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